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SUMMARY

A very strong demand for most farm products is in prospect for 1951. Prices and incomes received by farmers are likely to be substantially higher than in the first half of 1950, as are prices and incomes in the Nation generally. But higher costs of production and of living, higher taxes and increasing difficulties in obtaining supplies and hired farm labor are also in prospect. In view of the price increases for agricultural commodities that have already occurred and the likelihood of larger agricultural production in 1951, cash receipts from farm marketings will probably be up at least 10 percent next year. Farm operators' realized net income may rise 15 percent or more from 1950, but is not likely to regain the levels of either 1947 or 1948. Nonagricultural income, however, is expected to rise above the record high established this year.

Currently, the economy is operating at the highest rate in history, except at the peak of the World War II effort. Even before the Korean developments, the continued recovery in business activity and employment from mid-1949 levels was being reflected in increasing demand for most goods and services and an upturn in prices generally, including some advance in farm product prices at wholesale and food at retail. As a result of the Korean conflict, there has been a sharply increased program to augment production for military purposes, and an expansion in business plans to increase and improve plant and equipment. In addition, there was an upsurge in consumer buying of commodities of which supplies might be reduced in a war economy. In recent weeks, the more favorable news of military operations and the establishment of stricter credit terms have been reflected in a slackening of consumer expenditures, although they continue substantially above those of a year ago. The BLS index of wholesale commodity prices rose about 7 percent from late June to mid-October and was only slightly below the all-time high of mid-August 1948. Wholesale prices of farm products and foods have been relatively stable since mid-July and some other prices may stabilize in the near future if consumer buying abates. Nevertheless, the round of wage increases now under way, higher raw material costs and strong demand by business for inventories are likely to reinforce upward pressures on prices, particularly those of industrial commodities.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1949		1950			
		Year	Sept.	June	July	Aug.	Sept.
Industrial production <u>1/</u>							
Total.....	1935-39=100	176	174	199	197	208	213
All manufactures.....	do.	183	184	207	206	217	221
Durable goods.....	do.	202	199	236	235	245	254
Nondurable goods.....	do.	168	172	183	181	193	195
Minerals.....	do.	135	119	151	146	158	165
Construction activity <u>1/</u>							
Contracts, total.....	1935-39=100	368	429	507	566	578	
Contracts, residential.....	do.	471	623	797	904	887	
Wholesale prices <u>2/</u>							
All commodities.....	1926=100	155	154	157	163	166	170
All commodities except farm and food.....	do.	147	145	149	152	156	159
Farm products.....	do.	166	163	166	176	178	180
Food.....	do.	162	162	162	171	175	177
Prices received and paid by farmers <u>3/</u>							
Prices received, all products..	1910-14=100	249	247	247	263	267	272
Prices paid, interest, taxes and wage rates.....	do.	250	248	255	256	258	259
Parity ratio.....	do.	100	100	97	103	103	105
Consumers' price <u>2/ 4/</u>							
Total.....	1935-39=100	169	170	170	172	173	174
Food.....	do.	202	204	205	210	209	208
Nonfood.....	do.	151	150	151	151	153	155
Income							
Nonagricultural payments <u>5/</u>	Bil. dol.	188.2	187.8	200.7	202.7	205.3	
Income of industrial workers <u>3/</u>	1935-39=100	325	331	362	369	391	
Factory pay rolls <u>2/</u>	do.	346	357	386	391	419	
Weekly earnings of factory workers <u>2/</u>							
All manufacturing	Dollars	54.94	55.72	58.70	59.21	60.32	60.53
Durable goods.....	do.	58.03	58.69	62.90	63.05	64.33	64.90
Nondurable goods.....	do.	51.46	52.59	53.74	54.65	55.65	55.42
Employment							
Total civilian <u>6/</u>	Millions	58.7	59.4	61.5	61.2	62.4	61.2
Nonagricultural <u>6/</u>	do.	50.7	51.3	52.4	52.8	54.2	53.4
Agricultural <u>6/</u>	do.	8.0	8.2	9.0	8.4	8.2	7.8
Government finance (Federal) <u>7/</u> ..							
Income, cash operating	Mil. dol.	3,448	4,915	4,687	2,110		
Outgo, cash operating.....	do.	3,554	3,847	4,061	3,143		
Net cash operating income or outgo.....	do.	- 106	1,068	626	-1,032		

Annual data for the years 1929-49 appear on page 19 of the March 1950 issue of The Demand and Price Situation.

Sources: ^{1/} Federal Reserve Board, construction activity converted to 1935-39 base. ^{2/} U. S. Department of Labor, Bureau of Labor Statistics. ^{3/} U. S. Department of Agriculture, Bureau of Agricultural Economics, to convert prices received and prices paid interest, taxes and wage rates to the 1935-39 base, multiply by .93110 and .79872 respectively. ^{4/} Consumers' price index for moderate-income families in large cities. ^{5/} U. S. Department of Commerce revised figures, seasonally adjusted at annual rates. ^{6/} U. S. Department of Commerce, Bureau of the Census. ^{7/} U. S. Department of Treasury. Data for 1949 are on average monthly basis.

The generally strong demand outlook for 1951 stems from the prospect that the domestic economy will continue to operate at a high rate through that year and probably well into 1952. Employment and consumer incomes, currently at record highs, are expected to expand as the new military program develops. Expenditures for military purposes at present are at the annual rate of about 15 billion dollars, accounting for about 5 percent of the total production of goods and services of the Nation. On the basis of the present program, it is estimated that the rate of military outlays and its proportion of total output will approximately double by mid-1951, and will continue to increase in the fiscal year ending June 30, 1952. The buying power generated by the military expansion through increasing employment, higher wage rates and longer hours of work will swell the domestic demand for most goods and services unless checked by anti-inflationary measures or other developments. In 1951 and early 1952, the supplies of some goods available to civilians, chiefly durable goods, are likely to be smaller than at present. Expanded productive facilities may subsequently bring some increase in civilian supplies if the international situation permits military outlays to level off in 1952.

Foreign demand for many U. S. products in 1951, with the probable exception of food, is also likely to be stronger than in 1950. U. S. imports are at a postwar high and are expected to increase as domestic economic activity expands and stockpiling of strategic imported materials is intensified. Moreover, these increased imports will generally be purchased at higher prices than in 1950. The dollars received by foreign countries from increased trade with the United States will allow for some increase in their purchases from the U. S. despite a sharp reduction in appropriations for foreign economic aid in the fiscal year ending June 30, 1952. Special appropriations for foreign military aid will finance the movement of goods for military purposes. Foreign demand for some U. S. commodities may not be satisfied because of export controls to conserve relatively short supplies in this country.

While the basic forces in the economy indicate with considerable certainty that inflationary pressures will become greater in 1951 if the defense program develops as currently indicated, the extent of the actual rise in prices will depend on a number of factors. Changes in the international situation may result in higher or lower military expenditures than the rates currently in prospect. This is particularly in point for the fiscal year ending June 30, 1952, since appropriations for that period will not be made by the Congress until next year. It will depend also on the extent to which consumers and business expand expenditures for goods and services. In addition to rising incomes, large liquid assets held by individuals and by business are a potential force for inflation. Most important, much will depend on governmental actions to reduce the impact of increasing incomes by higher taxes, credit restrictions, allocation of scarce materials and control of inventories. Initial steps in this direction have already been taken. In addition, the President has the authority under the Defense Production Act of 1950 to ration consumer goods and to establish ceilings on prices in conjunction with wage stabilization.

The demand for food will be high in 1951, and may be further reinforced by shortages of other consumer goods. Total supplies of food are likely to be larger than in 1950, provided weather conditions are normal and will probably permit some increase in civilian per capita consumption over recent years, even after allowance for expansion in military forces to 3 million persons. Foreign demand for food, which has been predominately for wheat, is receding as Western European agriculture recovers from the effects of the war.

The reduction in ECA funds may also tend to reduce exports of food. With large stocks of wheat, supplies in 1951 will be more than ample for domestic and presently indicated foreign requirements, and are likely to be sufficient to cover any special foreign feeding needs that might arise. With near record feed supplies per animal unit, a further increase in livestock output and in most livestock products is expected.

Total agricultural production in 1951 under normal weather conditions is likely to establish a new record high if cotton production is substantially increased.

Prices received by farmers moved up sharply in July following the outbreak in Korea. There was relatively little advance in August and September. By mid-September farm product prices were up about 10 percent from the pre-Korean level. Under the provisions of the Defense Production Act of 1950, price ceilings for agricultural products generally may not be established below the highest of the following prices, after adjustment for grade, location and seasonal differentials: (1) The parity price or (2) the highest price received by producers in the period May 24-June 24, 1950. As of September 15, prices of many agricultural commodities were below parity, notably wheat, corn, potatoes, apples, citrus fruits, dairy products, poultry and eggs. On that date, prices of cotton, cottonseed, flue-cured tobacco, wool and each of the meat animals were above parity. The highest price received by producers in the May 24-June 24 period is likely to determine the lowest possible ceiling prices for beef cattle, veal calves, lambs and soybeans until mid-1951. Under the present act, the authority to establish price ceilings expires on June 30, 1951. For cotton and hogs, the prospective advance in prices paid by farmers is likely to carry their parity prices above the pre-Korean level prior to mid-1951.

Wholesale prices of nonagricultural commodities as a group have also moved up almost as much as agricultural prices in the last 3 months. Most of the increase has come more recently than the rise in farm product prices. The rise in wholesale prices of textiles, chemicals and allied products and building materials since just before Korea has exceeded the farm product price advance. The increase at retail in the prices of commodities purchased by farmers between June 15 and September 15 was only 2 percent. The parity ratio (ratio of prices received by farmers to prices paid by farmers for commodities, interest, taxes and wage rates) rose from 97 (1910-14=100) on June 15 to 105 in mid-September. As the advance in nonagricultural prices at wholesale is more fully reflected at the retail level, and a progressively tighter labor market brings higher farm wage rates, the parity ratio is likely to stabilize close to the current level of 105. Thus, higher production costs will absorb part of the increased income from farm marketings, and although farm operators' net income will be larger than in 1950, substantially higher living costs will be an important offsetting factor.

Commodity Highlights

Although large production of most classes of meat animals is in prospect for 1951, higher prices are likely as a result of stronger demand. Prices for milk and dairy products in 1951 will be higher than in 1949 or 1950. In 1951 prices of eggs and poultry are likely to average higher than in 1950. In the year beginning October 1, 1950, prices of most fats and oils are likely to average higher than in the preceding year. In prospect for the 1950-51 season for feed grains are higher prices, heavier utilization, and some reduction in

our large reserve stocks. In 1951-52, there is likely to be continued large wheat acreage, accumulation of a substantial reserve and a slight increase in the wheat loan rate. Grower prices for most 1951 deciduous fruit crops are likely to be slightly higher than 1950 prices. Prices received for fresh market vegetables in 1951 probably will average slightly higher than in the preceding year. Prices received by farmers for potatoes are likely to fall considerably below the levels of the last few years. Demand for cotton is expected to remain at a high level throughout the 1950-51 season. Domestic wool growers are likely to receive higher average prices for shorn wool in 1951 than in 1950. Demand for U.S. cigarette tobacco is expected to be strong in 1951.

ECONOMIC TRENDS IN 1950

Almost all measures of economic activity in the Nation advanced in 1950 following the moderate declines which occurred in 1949 (table 1). In 1950, civilian employment absorbed more than the growth in the labor force and reached a new high average of approximately 60 million persons. Industrial output averaged 12 percent above 1949 and almost double the prewar 1935-39 average. This was supplemented by a very high level of construction and continued strong activity in agriculture, trade and the services. The total output of goods and services in 1950 may be close to 5 percent greater than in 1949.

Average wholesale prices for 1950 will be moderately above 1949 but still below the 1948 averages. Farm product prices are still substantially below the 1948 highs.

Consumer incomes advanced sharply in 1950, partly due to the disbursement of 2.8 billion dollars of veterans' insurance refund mostly in the first half of the year. Consumer purchasing power was at a new postwar high. On a per capita basis, the gain in purchasing power since 1935-39 has been about two-thirds. Contrary to the generally higher incomes in 1950, the net income of farm operators, including Government payments, was about 6 percent lower than in 1949 and about a fourth under the record established in 1947.

Gross National Product

The upward trends in most sectors of the economy in 1950 have raised the gross national product to a record high and current indications are that it will be still higher in 1951. In 1950, the gross national product, which measures the total value of the Nation's output at prevailing market prices, may approximate 277 billion dollars compared with 256 billions in 1949 and the previous postwar high of 259 billion in 1948. About one-seventh of the increase from 1949 to 1950 was due to higher prices. The change between 1948 and 1950 was almost entirely a reflection of increased output since prices this year will probably turn out to be not much below the 1948 average.

The sharp increase in economic activity which has occurred so far this year after the comparative stability of the second half of 1949 is indicated in the quarterly data in table 2. The principal forces behind this expansion have been substantial increases in consumer expenditures for most goods and services and for new houses, and in business expenditures for plant and equipment. More recently, the increase in Government expenditures for military purposes has become an important factor and as the new military program develops will become even a greater force in the economy.

Table I.- Selected series of production, prices, employment and income
1935-39, 1948, 1949 and estimated 1950

Item	Base period or unit	Calendar year			
		1935-39 Average	1948	1949	1950 Estimated
Total civilian employment <u>1/</u>	Million	44.6	59.4	58.7	60.0
Unemployment <u>1/</u>	do.	9.4	2.1	3.4	3.1
Industrial production <u>2/</u>	1935-39	100	192	176	198
Durable goods	do.	100	225	201	234
Nondurable goods	do.	100	177	168	186
Consumers' prices (urban) <u>3/</u>	do.	100	171.2	169.1	171
Food	do.	100	210.2	201.9	205
Nonfood	do.	100	149.4	150.6	152
Wholesale prices, all com- modities <u>3/</u>	1926	81	165.1	155.0	160
Farm products	do.	76	188.3	165.5	168
Food products	do.	79	179.1	161.6	166
All excluding farm and food	do.	81	151.0	147.3	151
Prices received by farmers	1910-14	107	285	249	253
Prices paid, interest, taxes and wage rates	1910-14	125	259	250	256
Parity price ratio		86	110	100	99
Farm cash income, excluding Government payments	Bil.dol.	8.0	30.5	28.1	27.6
Realized net income of farm operators including Government payments	do.	4.8	16.5	14.1	13.3
Volume of farm marketings	1935-39	100	142	151	145
Gross national product <u>4/</u>	Bil.dol.	84.0	259.1	255.6	277
Personal consumption expenditures	do.	63.6	177.4	178.8	190
Gross private domestic investment	do.	8.4	43.1	33.0	45
Net foreign investment	do.	.4	1.9	.4	- 2
Government purchases of goods and services	do.	11.8	36.6	43.3	44
Personal income <u>4/</u>	do.	68.6	209.5	206.1	220
Disposable personal income <u>6/</u>	do.	66.2	188.4	187.4	199

1/ Bureau of the Census and BLS.2/ Federal Reserve Board.3/ Bureau of Labor Statistics.4/ United States Department of Commerce.

Table 2.- Gross national product or expenditures, fourth quarter 1948 and third quarter 1949 to third quarter 1950 (annual rates, seasonally adjusted) 1/

Item	(Billions of dollars)					
	4th	3rd	4th	1st	2nd	3rd
	quarter:	quarter:	quarter:	quarter:	quarter:	quarter:
	1948 2/	1949	1949	1950	1950	1950 3/
Gross national product or expenditure	266.8	254.4	253.8	262.5	269.9	282.0
Personal consumption expenditures	178.7	179.0	180.6	182.4	184.5	195.0
Durable goods	22.2	24.7	25.3	26.9	26.7	
Nondurable goods	101.4	97.6	97.9	97.5	99.0	
Services	55.2	56.6	57.4	58.0	58.8	
Gross private domestic investment:	46.8	32.1	31.2	40.5	45.9	46.5
New construction	17.8	16.9	18.2	19.9	20.9	
New producers' durable equipment	20.9	19.4	18.7	19.3	21.6	
Change in business inventories:	8.0	- 4.2	- 5.7	1.3	3.4	
Nonfarm only	6.7	- 3.2	- 4.7	2.1	4.0	
Net foreign investment	1.0	.1	-.7	- 1.9	- 2.0	- 2.5
Government purchases of goods and services	40.3	43.2	42.8	41.4	41.4	43.0
Federal	23.8	25.8	24.6	22.8	22.8	
Less: Government sales	.3	.7	.3	.3	.2	
State and local	16.7	18.2	18.5	18.9	18.8	

1/ Department of Commerce. 2/ Postwar high prior to 1950. 3/ Estimates by Council of Economic Advisers.

Detail will not necessarily add to totals because of rounding.

Personal consumption expenditures

Consumer expenditures increased gradually through the first half of 1950 as a result of improving employment and income and the disbursement of 2.8 billion dollars in insurance refunds to veterans of World War II. Consumer expenditures were maintained with marked stability through the business downturn in 1949 and this contributed greatly to the recovery in business activity later in the year. Until mid-1950 the major expansion in consumer expenditures was in durable goods such as automobiles and home furnishings and in services, particularly rent. The advent of Korea brought a sharp increase in consumer buying of most goods and services, including the nondurable goods. The wave of "scarc" buying" which was especially high in July tapered off somewhat in late August and September as the war news became more favorable and supplies continued generally available to consumers. The sharp rise in consumption expenditures from an annual rate of 184.5 billion dollars in the second quarter of this year to a rate of about 195 billions in the third quarter was partly supported by an increase in the rate of personal disposable income (after taxes) from 195.5 billion.

dollars to about 202 billions. Most of the income increase from the second quarter occurred in wages and salaries but incomes of proprietors (non-farm and farm) and corporate dividends also rose. In addition, consumer credit increased sharply during July and August to a new record high, although in relation to the level of disposable income, it was still a little below the 1941 ratio. During the third quarter, there was probably some net use of individuals' liquid assets which totaled 177 billion dollars at the end of December 1949. Recent restrictions on consumer credit and higher taxes on individuals' incomes will tend to dampen consumer expenditures but expanding consumer incomes through higher wages, increased employment and longer hours of work will be a counter force.

During World War II and the immediate postwar years when durable goods and new houses were in short supply, consumers shifted a larger proportion of their expanded incomes to nondurable goods such as food and clothing. As output of automobiles, furniture, and housing became greater, the proportion of income and of total expenditures for nondurables tended to decline. As the military program now in prospect makes inroads on civilian supplies of durable goods, it is probable that the shift in consumer expenditures toward food and other nondurables which occurred in the earlier period will again become evident.

Gross private domestic investment

After declining in 1949, total private investment expenditures rose sharply in 1950. In the third quarter of the year, they were only a shade below the postwar high reached in the last quarter of 1948. Most of the decline in 1949 was due to changes in business inventories, from large accumulation of inventories in late 1948 to substantial liquidation through most of 1949. Business expenditures for plant and equipment were reduced moderately during the year. In the first half of 1950, investment expenditures expanded sharply reflecting the vigorous housing boom, a reversal of the downtrend in business capital expenditures and restocking of business inventories. Except for a moderate decline in inventories resulting from the spurt in consumer buying, the rise in investment expenditures continued in the third quarter of this year.

Outlays for new construction were at a new record high in the third quarter, about a third higher than in the same period in 1949. Most of the increase was in expenditures for residential building. By the end of August, almost as many new nonfarm dwelling units had been started as were begun in the whole of last year. It is expected that about 1,300,000 new dwelling units will be started this year as compared with 1,024,100 in 1949. In addition to the boom in housing, significant increases are occurring in industrial and commercial building. Although reliable data are not available, expenditures for farm construction are probably substantially lower than in 1949, a reflection of lower income this year.

Business expenditures for equipment in the third quarter of this year also rose to a new record high, almost 30 percent above the corresponding period in 1949. Business plans for capital expenditures were revised upward in the first half of 1950 as general business conditions improved and were expanded further after the outbreak of the Korean war. Farm equipment expenditures in the first half of 1950 were probably at a lower level than in the same period in 1949 but the rise in farm product

prices since June and the possibility that output of farm machinery may be reduced as military output expands have resulted in a substantial increase in farmers' purchases.

Credit restrictions and the diversion of some construction materials to military use are likely to bring a substantial decline in residential building. Nevertheless, the increased requirements for larger productive facilities will result in further expansion in industrial building and equipment. This will be encouraged by the provisions in the Revenue Act of 1950 which allow for accelerated amortization for tax purposes on new facilities essential to the defense effort. Business inventories are generally low in relation to the volume of activity and they are likely to be increased if possible. However, allocations and inventory control of scarce critical materials may tend to keep inventories of these items at minimum working levels.

Government purchases of goods and services

Government expenditures (Federal, State and local) declined slightly from the last half of 1949 to the first half of 1950. Federal purchases of goods and services were reduced moderately but State and local expenditures, especially for schools and highways, rose further though at a slower rate than in recent years. In the third quarter of the year, Government expenditures increased as a result of the expanded military program. The total rise was small but it represented only the beginning of a marked expansion in Government outlays. In the first half of 1950, Federal expenditures for defense were at an annual rate of about 12 billion dollars. In the third quarter they were probably close to a rate of 15 billions. The military program, if carried out as presently indicated, will increase the rate of expenditures for military purposes to an annual rate of 30 billion dollars by June 1951 and even more in the fiscal year ending June 30, 1952. Other federal expenditures may total somewhat less because foreign economic aid appropriations have been reduced while higher farm product prices are likely to result in smaller outlays for agricultural price supports. Nevertheless, government expenditures will rise rapidly as the military program develops and account for an increasing proportion of the gross national product. In its earlier stages, the impact of the military expansion on the economy is likely to be greater than the actual level of government expenditures since business capital reserves and private credit may finance the initial conversion of facilities and manpower to military output.

Net foreign investment

This component of the gross national product represents that part of the export surplus (the excess of exports over imports) which is financed by means other than U. S. Government grants to foreign countries and private remittances abroad. U. S. Government grants for foreign aid, which are accounted for in the Government component of gross national products was the most important factor in financing the export surplus during 1949 and 1950. During the last half of 1949 and so far in 1950, U. S. Government grants for foreign aid have exceeded the export surplus. Consequently, net foreign investment has been a negative quantity in recent periods and is likely to continue so through the remainder of 1950 and 1951.

A better picture of the contribution of foreign trade to the domestic economy is obtained from table 3 which shows recent trends in U. S. exports and the means of financing them.

Table 3.- Financing of United States exports of goods and services in specified periods

(Billions of dollars)

Period	U. S.	Means of financing			
	exports of goods and services	U. S. imports of goods and services	Sale of gold and short-term dollar assets by foreign countries (Net)	U. S. Government foreign grants and loans (Net)	Other sources and balancing item (Net)
	(1)	(2)	(3)	(4)	(5)
1935-39 ann. average	4.0	3.4	1.1	2/(-) 0.1	(-) 0.4
1946	14.7	7.0	1.9	5.0	0.8
1947	19.8	8.3	4.5	5.8	1.2
1948	17.1	10.4	0.8	5.1	0.8
1949					
1st qtr. (ann. rate)	17.3	10.2	0	6.7	0.4
2nd qtr. (ann. rate)	17.8	9.7	1.5	6.6	0
3rd qtr. (ann. rate)	14.7	9.4	0.3	5.9	(-) 0.9
4th qtr. (ann. rate)	14.0	9.6	(-) 1.8	4.6	1.6
Total	16.0	9.7	0	3/ 5.9	0.4
1950					
1st qtr. (ann. rate)	13.1	10.3	(-) 1.8	4.4	0.2
2nd qtr. (ann. rate)	13.9	11.0	(-) 2.6	4.6	0.9

1/ Includes loans of U. S. dollars by the International Bank and by the International Monetary Fund. In 1948 these loans totaled to 379 million dollars. In 1949 they totaled 137 million dollars.

2/ Includes private loans and remittances to foreigners which in other periods is in Column 5.

3/ Includes 4.1 in ERP grants and loans and 1.1 in grants for civilian supplies in occupied areas. The remainder of 0.7 billion is accounted for by other U. S. Government foreign grants and loans.

The downtrend in the value of U. S. exports of goods and services which began in 1947 continued through 1949 and early 1950. In the second quarter of 1950, exports increased substantially over the first quarter but were still 22 percent below the second quarter in 1949 and a third less than the postwar high reached in the second quarter in 1947. U. S. imports of goods and services on the other hand, have been increasing since the latter part of last year reflecting the improvement in U. S. business activity and the recovery in foreign production. In the second quarter of 1950 U. S. imports reached a new postwar high, 13 percent above the comparable period in 1949. Higher imports and lower exports than a year ago have brought the export surplus down to the lowest level in the postwar period. In the second quarter of 1950, the export surplus was at an annual rate of 2.9 billion dollars compared with a rate of 8.1 billions in the same quarter in 1949 and 12.7 billions at the postwar peak in the comparable period in 1947. A year ago, U. S. Government grants, principally ECA funds and army relief to civilians in occupied areas, financed most of the difference between exports and imports, and in addition, it

was necessary for foreign countries to liquidate some of their gold and dollar assets to finance the rest. This year, the utilization of U. S. foreign aid grants has been greater than the amount necessary to finance the export surplus. This has allowed foreign countries to improve their international financial position.

Some increase in U. S. exports of goods and services, excluding those of a military nature, appears likely in the remainder of 1950 and in most of 1951. Although appropriations for the current fiscal year for ECA and for army aid to civilians in occupied areas are more than 2 billion dollars less than in the fiscal year which ended June 30, 1950, dollars earned as a result of the prospective increase in imports will be an offsetting factor. The uptrend in imports is likely to continue partly because of the larger import requirements for the higher level of economic activity that is in prospect and also because of the need for larger stock-piles of strategic imported materials. Moreover, prices of many imported commodities have risen substantially in recent months. Exports for military purposes are likely to be substantially larger but these will be financed under the special government appropriation for foreign military aid.

Foreign demand is likely to be somewhat more selective in the year ahead in view of the substantial recovery that has occurred in agriculture and in industry abroad. In some instances, foreign demand may not be satisfied for products which may be in relatively short supply in this country and for which export controls have been established. It is likely that foreign countries will continue to rebuild their reserves of gold and dollar assets.

Agricultural Exports

The value of agricultural exports in the first half of 1950 totaled almost 1.5 billion dollars. This represented a decline of more than a fourth from the same period in 1949. About two-thirds of the decline was due to a smaller volume of exports and the remainder to lower average prices for agricultural export staples.

Table 4.- Value of exports of United States agricultural products in specified periods

(Million dollars)						
Period	Cotton including linters	Tobacco unmanu- factured	Other agri- cultural non-foods	Grain and prepa- rations	Other foods	Grand total
1935-39 Annual average	318	128	29	95	178	748
1947 Total	427	271	112	1,881	1,266	3,957
1948 Total	511	215	150	1,715	882	3,473
1949						
1st quarter	252	52	74	434	214	1,026
2nd quarter	272	40	84	385	225	1,006
3rd quarter	103	84	50	343	146	726
4th quarter	247	76	50	299	147	819
Total 1949	874	252	258	1,461	732	3,577
1950						
1st quarter	302	31	61	218	123	735
2nd quarter	297	44	60	185	146	732

Most of the drop from the first half in 1949 reflected sharply reduced exports of grain and other foods. The export value of grain and grain products declined 51 percent and that of other foods declined 39 percent. In contrast, the drop in the value of tobacco exported was less than 20 percent and the export value of cotton increased 14 percent. The reduced demand for food products from abroad is largely a reflection of the recovery in Western European agriculture which is devoted largely to food production. In 1950, food output in total in Western Europe will probably at least equal prewar levels. However, the increase in population since before the war results in smaller per capita food production and continued need for U. S. food products although in diminishing volume.

During the fiscal year which ended June 30, 1950, almost two-thirds of U. S. agricultural exports were financed under the two major foreign aid programs, ECA and army relief in occupied areas.

Table 5.- Financing exports of U. S. agricultural products in the year beginning July 1, 1949

Commodity group	: Agricultural exports: : financed with E.C.A.: : and GARIOA funds 1/ : Total		
	: Percent of : agricultural		: exports
	: Value	: total agri-:	
		: cultural : : exports :	
	: Mil. dol.	Percent	Mil. dol.
Wheat, wheat flour, and rye	: 614	87	705
Corn, oats, barley, grain sorghums, and buckwheat	: 207	87	239
Other grains and grain preparations	: 18	18	102
Oils, fats, oilseeds and peanuts (edible and inedible)	: 158	59	268
Dairy products	: 26	23	113
Fodders and feeds	: 17	81	21
Vegetables	: 7	12	57
Fruits and nuts except peanuts	: 17	15	112
Meats and edible animals (includes horsemeat)	: 7	14	49
Eggs, all forms	: 10	45	22
Tobacco, unmanufactured	: 150	64	235
Cotton and linters	: 650	68	949
Other edible and inedible agricultural products	: 50	36	140
Total agricultural products	: 1,931	64	3,012

1/ Includes exports of U. S. agricultural products to Europe, China, and Korea financed with U. S. government funds administered by E.C.A. The data are the values of E.C.A. liftings corrected for late reports through August 31, 1950.

GARIOA funds were appropriated to the Army for "Government and relief in occupied areas."

The grains and cotton each accounted for about 30 percent of the total of 3 billion dollars of farm products exported in 1949-50. Close to 90 percent of the food grains and two-thirds of the cotton exported was financed under the two major foreign aid programs. Although appropriations for these non-military foreign aid programs were reduced 40 percent in the current fiscal year, the volume of agricultural exports will probably not be so severely affected. A larger proportion of the total is likely to go for agricultural products procured in the United States and the improving dollar situation abroad will permit more to be financed outside of the foreign aid programs. Nevertheless, the export volume of the major export farm products will be smaller with the probable exception of feed grains which are needed to expand the livestock in Western Europe. While exports of wheat (including flour) are likely to be less due to the improved food situation in ECA countries, the anticipated decline in cotton exports during the current marketing year is more a reflection of the smaller supplies in this country. In view of the substantial advance that has occurred in agricultural prices, the total value of agricultural exports during the current fiscal year may not be much below the 3 billion dollar total of the previous year. Exports of 1951 crops are likely to be maintained near the current year's level and may be somewhat larger in total if cotton production is sharply increased as is now in prospect. Wheat exports will again be supported by shipments under the International Wheat Agreement. Tobacco exports in 1951-52, also, are likely to be higher than this season's level.

Commodity Prices

There is likely to be further pressure on the general price level, and particularly on prices of industrial commodities in 1951, as the military program develops. While supplies of food are expected to continue adequate for civilian and military needs, supplies of some goods, particularly consumer durable goods, may become shorter next year as materials are channeled into military purposes. However, much of the impact of increasing income on available supplies could be voided by higher taxes, stricter credit controls and other measures.

The decline in the general commodity wholesale price level which began in mid-August 1948 continued through 1949. At the beginning of 1950, the BLS weekly index of wholesale prices was 11 percent lower than at the postwar high. As indicated in table 6, wholesale prices of farm products in the first week of January 1950 were 25 percent below their high in January 1948, wholesale food prices were down 19 percent from August 1948 and wholesale prices of all other commodities averaged 6 percent below the previous high in November 1948. Prices generally advanced slightly in the first quarter of 1950. The rise was sharper in the spring as business activity expanded and by late June, the combined index had advanced 4 percent over the level at the beginning of the year. Wholesale prices of farm products had increased 8 percent, mostly due to a sharp rise in meat animal prices. Food prices at wholesale rose 5 percent and commodities other than food and farm products increased a little more than 2 percent.

Table 6. - Group indexes of wholesale prices, January highs, week ended October 17, 1950 with comparisons
(1926 = 100)

Commodity group	Week		Pre-Korean		Level in :		1948-49 highs		Percent change, week	
	ended :		level, week :		the first :		ended October 17, 1950 from			
	Oct. 17, :		ended :		week :		Week ended :		Level: Week ended :	
	1950 :		June 27, 1950:Jan. 1950:						First week:1948-49	
All commodities	168.7	157.4	150.6	August 17, 1948	169.9	+ 7.2	+12.0	- .7		
Farm products	177.9	165.4	153.2	January 13, 1948	203.3	+ 7.6	+16.1	-12.5		
Foods	173.9	162.4	154.5	August 17, 1948	191.0	+ 7.1	+12.6	- 9.0		
All other than farm and food	160.9	149.2	145.1	December 14, 1948	153.9	+ 7.8	+10.9	+ 4.5		
Textile products	162.2	137.3	137.4	June 1, 1948	151.8	+18.1	+18.0	+ 6.9		
Fuel and lighting materials	135.4	132.8	130.1	November 2-23, 1948	137.6	+ 2.0	+ 4.1	- 1.6		
Metals and prod.	177.8	171.9	169.5	February 8, 1948	175.8	+ 3.4	+ 4.9	+ 1.1		
Building materials	222.0	203.7	190.3	August 31, 1948	204.5	+ 9.0	+16.7	+ 8.6		
Chemical and allied products	131.6	114.5	115.5	October 5, 1948	136.1	+14.9	+13.9	- 3.3		

Bureau of Labor Statistics.

The sharp advance in commodity prices which followed the outbreak of the Korean conflict raised the general commodity wholesale level by mid-October, 7 percent above the level in late June and only a shade below the postwar high in 1948. Farm product prices at wholesale rose 8 percent above the pre-Korean level but were still 12 percent under their postwar high. Wholesale food prices rose 7 percent by mid-October and were 9 percent below the 1948 high. Average wholesale prices of industrial commodities (other than farm and food) rose 8 percent from the late June level and were at a new record high. In the latter group, prices of textile products, building materials, and chemical products have made particularly sharp gains.

Most of the rise in farm product prices since the Korean outbreak, occurred in July with the advance slowing considerably in August and September. On the other hand, the rise in nonagricultural prices has occurred more recently and reflects to some extent increasing wage rates and higher material costs.

Table 7.- Group indexes of prices received by farmers, September 15, 1950 with comparisons

(1910-14 = 100)

Commodity group	: Sept.	: June	: Jan.	1945-49 highs		Percent change		
	: 15,	: 15,	: 15,	reached		: Sept. 15, 1950 from		
	: 1950	: 1950	: 1950	Date	: Level	: June	: Jan.	: 1945-
	:	:	:	:	:	: 15,	: 15,	: 49
	:	:	:	:	:	: 1950	: 1950	: highs
Food grains	: 221	218	218	Jan. 15, 1948	322	+ 1	+ 1	-31
Feed grains and hay	: 194	190	170	Jan. 15, 1948	322	+ 2	+14	-40
Cotton	: 336	251	222	Oct. 15, 1946	317	+34	+51	+ 6
Tobacco	: 428	388	382	Sept. 15, 1948	410	+10	+12	+ 4
Oil-bearing crops	: 303	254	228	Jan. 15, 1948	409	+19	+33	-26
Fruit <u>1/</u>	: 215	186	215	Dec. 15, 1945	289	+16	0	-26
Truck crops <u>1/</u>	: 181	209	225	Nov. 15, 1947	302	-13	-20	-40
Other vegetables	: 163	186	193	Apr. 15, 1948	290	-12	-16	-44
All crops	: 243	225	219	Jan. 15, 1948	288	+ 8	+11	-16
Meat animals	: 372	342	286	July 15, 1949	400	+ 9	+30	- 7
Dairy products <u>1/</u>	: 244	248	243	July 15, 1948	327	- 2	<u>2/</u>	-25
Poultry and eggs <u>1/</u>	: 184	168	156	Aug. 15, 1948	247	+10	+18	-26
Livestock and products	: 298	268	249	Aug. 15, 1948	336	+11	+20	-11
Crops and livestock and products	: 272	247	235	Jan. 15, 1948	306	+10	+16	-11

1/ Seasonally adjusted.

2/ Less than one-half percent increase.

Prices received by farmers on September 15, 1950 averaged 16 percent higher than on January 15, 1950 with most of the advance occurring since June. The index, however, was still 11 percent below the postwar high reached in January 1948. As shown in table 7, average prices of only cotton and tobacco were above their previous postwar highs. Compared with the level early this year, the gains by September 15 were greatest for cotton, oil-bearing crops and meat animals. Cotton prices have risen about 50 percent since January 15 largely as a result of exceptionally high textile mill consumption, large exports in comparison with other postwar years and a relatively short cotton crop this year. Substantial improvement in prices of oil-bearing crops was partly the result of higher economic activity. The rise in prices received by farmers for meat animals from January to September was mainly a reflection of expanding consumer incomes, although seasonally smaller supplies were also a factor.

Some commodity groups have been relatively little affected by the general improvement in economic activity. Prices of food grains, fruit and dairy products (the latter two groups seasonally adjusted) averaged practically the same on September 15 as on January 15. Supplies of these commodities are generally large with price support operations in effect for wheat and dairy products and export programs established for certain fruits. In the case of truck crops, average prices on September 15 were substantially below those in January after allowance for the usual seasonal changes in prices.

For the remainder of the year it is likely that the average prices received by farmers will tend to stabilize and may even decline slightly with seasonally heavy marketings of some crops and livestock. By mid-October, central market prices for some commodities, notably hogs, soybeans and flaxseed had declined from mid-September levels.

If weather conditions are normal next year, agricultural production for sale and home use may attain a new record high largely as a result of the anticipated sharp increase in cotton production and a moderate gain in meat animal output. This will tend to retard further price advances next year. Nevertheless, prices of farm products will be subject to the same forces which will be influencing prices of other commodities next year. Higher consumer incomes and increased industrial operations would normally bring higher farm product prices unless the demand engendered by expanded economic activity is siphoned off through various means. If it should become necessary to impose price ceilings on agricultural commodities, the Defense Production Act of 1950 provides that they shall not be less than either the parity price or the highest price received by producers in the May 24 to June 24 period. This would allow for further price advances from their present levels for many agricultural commodities. Moreover, parity prices for farm products will rise as the costs of living and of production on farms go up.

The index of prices paid by farmers (including interest, taxes and farm wage rates) rose 4 percent from January 15 to September 15 and on the latter date was only 1 percent below the postwar high reached in mid-1948. Inasmuch as retail prices have not yet reflected a substantial part of the rise in wholesale prices of many commodities purchased by farmers, this index is likely to continue to advance. Farm wage rates are likely to work higher as the labor market tightens further and increased interest and taxes payable per acre will also contribute to a higher parity index next year.

The parity ratio--the index of prices received by farmers divided by the index of prices paid, interest, taxes and farm wage rates--which was 94 (1910-14=100) on January 15 rose to 105 in September. The postwar high was 122 in October, 1946. With higher costs in prospect as well as some further increase in farm product prices, the ratio may stabilize close to present levels in 1951.

Farm wage rates for the country as a whole were fairly stable in the first part of 1950. After adjustment for seasonal variation, the index of farm wage rates on October 1, 1950 was 427 (1910-14=100), compared with 429 in January and 414 in October 1949. The October 1950 level was 5 percent below the postwar peak of October 1948. With the total labor market tightening, it is likely that farm wage rates will advance substantially as non-agricultural employment and wage rates rise.

Farm land values have turned upward, after declining through 1949. In July 1950, the average value per acre of farm real estate was 2 percent higher than in March and only 3 percent below the November 1943 peak. Rising prices of farm products and increasing farm incomes are likely to be reflected in further advances in farm land values.

Retail prices paid by moderate income families in large cities rose about 4 percent from January 15 to September 15. On the latter date, the BLS index was less than one percent below the postwar high. Further increases in the urban cost of living are also in prospect.

Current Economic Data

Output and employment

Industrial production increased sharply in September and continued to advance in October. The Federal Reserve Board's index of industrial production, seasonally adjusted, rose from 208 (1935-39=100) in August to about 213 in September. In September 1949 the index was 174. Most of the rise in September was due to gains in steel, machinery, aircraft, shipbuilding and railroad equipment. In early October, steel output was at a new record.

Total expenditures for new construction totaled 2.8 billion dollars in September, slightly above the August total and 26 percent above expenditures in September last year. Most of the increase from last September was due to higher residential construction activity. Industrial building rose substantially from August to September.

Total civilian employment in early September was 61.2 million persons, down seasonally about 1.2 millions from August and 1.8 millions higher than in September 1949. Unemployment in early September totaled 2.3 millions compared with 2.5 millions in August and 3.4 millions in September 1949.

Income and retail sales

Total personal income rose from 220.7 billion dollars (annual rate, seasonally adjusted) in July to 223.4 billions in August. Most of the gain was due to increased wage and salary receipts. In August 1949, the rate of personal income was 203.3 billions. The recent increase in personal income taxes which is designed to obtain about 3 billion dollars in Government receipts became effective October 1, 1950.

The FRB index of department store sales, seasonally adjusted, was 320 (1935-39=100) in September (preliminary estimate), compared with 355 in August and 239 in September 1949. The intense buying that occurred in July and August has slowed. However, the September data reflected in part anticipation of the reimposition of installment credit controls.

Consumer credit outstanding at the end of August was 21.0 billion dollars compared with 20.3 billions at the end of July and 16.5 billions at the end of August 1949.

Prices

The BLS weekly index of wholesale commodity prices was 168.7 (1926=100) in the week ended October 17, compared with 169.8 a month earlier and 151.9 in the comparable week in 1949.

The general average of prices received by farmers in mid-September was 272 (1910-14=100), up 2 percent from mid-August and 10 percent above the September 1949 level.

The index of prices paid by farmers for commodities, interest, taxes and wage rates was 259 (1910-14=100) in mid-September compared with 258 in mid-August and 248 in September 1949. The parity ratio (ratio of prices received to prices paid, interest, taxes and farm wage rates) rose from 103 in August to 105 in September. In September 1949, the ratio was 100.

The BLS urban consumers' price index on September 15 was 173.8 (1935-39=100) compared with 173.0 on August 15 and 169.9 on September 15, 1949.

FARM INCOME

The downward trend in farm income has been reversed. Gross income this year will be only slightly below its 1949 level; and in 1951 it is expected to reach a new record high. Farmers' realized net income will show some further decline this year largely due to lower prices in the first half of the year. In the second half of 1950 and in 1951 it is likely to regain most though probably not all of its losses during 1949 and early 1950.

Next year's gross farm income is likely to be up at least 10 percent from the 1950 estimate of 31.8 billion dollars. Cash receipts from marketings, its principal component, are also expected to rise proportionately from 1950. If growing conditions are average, the total volume of farm marketings will be larger than this year and may be as high or higher than the all-time record volume of sales in 1949. But higher average prices in 1951, even more than a larger volume, will increase farmers' cash receipts next year.

Farmers' total cost of production is likely to rise further in 1951, with practically all items of expense contributing to the increase. Expenditures for purchased feed and livestock, motor vehicle operation, and hired labor, payments for taxes and farm mortgage interest, charges for maintenance and depreciation, and a large group of miscellaneous costs, are all expected to be considerably higher in 1951.

Even so, the rise in farmers' total expenses will probably be less than that indicated in their gross income. Realized net income in 1951 is likely to be at least 15 percent higher than in 1950.

Cash receipts will probably be up considerably in 1951 for both crops and livestock, with prospects for livestock on the whole a little more favorable than for crops. Based on average yields, the volume of crop marketings is likely to increase more than marketings of livestock and livestock products. But the increase in average prices for 1951 over 1950 generally may be somewhat larger in the livestock group. Hogs, cattle and calves, chickens, and dairy products in the livestock group, and cotton, wheat, citrus fruits and truck crops among the various crops are expected to show the largest increases in cash receipts.

Farmers' cash receipts this year will total about 27.6 billion dollars, or 2 percent below receipts in 1949. Estimated crop receipts are down 8 percent from last year, more than offsetting a 3 percent increase for livestock and products. Government payments are up about 45 percent, but the value of home-consumed farm products and the estimated rental value of farm dwellings are each only slightly higher than in 1949. Total gross income for 1950 is estimated at 31.8 billion dollars as compared with 32.2 billion last year.

Production expenses in 1950, however, will be up about 3 percent from last year to approximately 18.5 billion dollars. This will leave farmers a total realized net income of 13.3 billion dollars in 1950, 6 percent less than their net income in 1949 and 25 percent below the 1947 high.

The rise in total production expenses this year is the net result of increases in the cost of purchased feed and livestock, interest and depreciation charges, taxes, and motor-vehicle operating costs--only partly offset by declines in other categories. With larger numbers of animals fed higher-priced feed, the total cost of purchased feed is above last year, while higher prices of livestock purchased are increasing expenditures on livestock. Charges for maintenance and depreciation are higher because of larger numbers of motor vehicles on farms, greater quantities of machinery and equipment, and a larger investment in farm buildings--along with generally higher replacement costs. Larger numbers and higher costs for purchased repairs account for a moderate rise in the total cost of operating motor vehicles. Taxes are up to meet increased costs of local government, and interest payments are rising along with farm indebtedness. On the other hand, fertilizer prices are lower this year than last, quantities used are about the same, and total outlays for fertilizer are down a little. Smaller numbers of hired laborers paid about the same average wage as last year may result in a drop of about 4 percent in expenditures for hired labor. And rental payments are a little lower because of smaller cash receipts from crops. Other miscellaneous operating expenses will total almost the same as last year, as a decline in ginning costs is largely offset by small increases in a number of other items.

LIVESTOCK AND MEAT

Defense activities will bring larger consumer incomes and; therefore, stronger demand for meat next year. But prices of meat animals may be only moderately higher than in 1950, since the larger meat production in prospect will be an offsetting influence. Prices of all classes of meat animals are likely to be higher.

Production of meat is expected to increase next year. The percentage increase may be a little greater than the average of the past 3 years. Production in 1951 will be sufficient for somewhat larger military requirements for meat and in addition will probably provide enough more for civilian consumption to raise the average consumption rate about 3 pounds from the 145 pounds expected to be consumed in 1950.

Practically all of the increase in production next year will be in beef and pork. Little change is likely in production of veal, lamb and mutton.

Combining to make up the outlook for increased meat production next year are the present uptrends in numbers of hogs and cattle, the ample feed supply, and the strong demand for meat in prospect. The yearly pig crops have increased from 83 million head in 1946 to approximately 99 million head in 1950. The spring crop in 1951 may continue the upward trend; it may be about 5 percent larger than the 1950 spring crop. Pork production in 1951 did not expand as much as did the number of hogs raised, because slaughter weights have been lighter. Weights this fall, however, are a few pounds heavier than last fall and slightly heavier weights may continue in 1951.

Numbers of cattle and calves on farms, after rising slightly in 1948, were increased 2.0 million in 1949 and a somewhat larger gain is probably being made in 1950. The increase in beef production expected next year would be the first significant increase in cattle slaughter resulting from the present upswing in numbers on farms.

Feed supplies are ample. The supply of concentrates for the 1950-51 feeding year is about the same as in the year just completed. The 1950 crop of feed grains is a little smaller than the 1949 crop, but the storage carry-over of these grains is a little larger than last year. Supplies of byproduct feeds are not expected to be much different from last year. The supply of hay is very large. The 1950 crop is the third largest ever cut, and the total supply per roughage consuming animal unit is record high.

The 1950 corn crop is 260 million bushels below last year's crop and the quality is not as high as last year. In providing for an increased livestock production this coming year, some corn will probably be withdrawn from storage stocks of both "free" corn and resealed old corn. Although the price must reach or exceed the loan rate in order to draw appreciable supplies from storage, it probably will not be unfavorable for livestock production.

DAIRY PRODUCTS

Prices for milk and dairy products in 1951 will be moderately higher than in 1950. Domestic consumer demand will be enough stronger to more than offset the effects of larger carry-in stocks and probable smaller exports. Farm production of milk in 1951 is likely to be little different from the 120.5 to 121.0 billion pounds in prospect for this year.

The dominant factor in the 1951 outlook for dairy products is the prospective sharp increase in consumer demand. From 1949 to 1950 retail values of dairy products consumed decreased in contrast to rising per capita incomes. In the coming year, however, values of dairy products probably will move upward, though likely by a smaller amount than either consumer incomes or retail values of a number of other foods. Price-curbs, if applied, could affect the relative price change of the various food items. Rising prices will contribute most of the increase in retail values of dairy products but consumption of some items, especially fluid milk and ice cream, are likely to show significant increases in 1951 over 1950.

Demand for some other products, especially meat animals and some cash crops, may increase more than for dairy products. This together with greater off-farm employment opportunities may tend to prevent an increase in volume of milk output in the coming year in some areas. That was the experience in 1942-43. Cow numbers for the U. S. as a whole reached a peak in mid-1944 and declined steadily until early 1949. They have been essentially stable for the last year and a half. But recently, dairy prices have become less favorable relative to beef and hog prices. Moreover, the prospective increases in acreages of corn, wheat and other cash crops will tend to discourage increases in cow numbers that appeared to be underway in some areas. Milk production per cow will probably exceed 5,300 pounds in 1950 owing in part to a high rate of concentrate feeding and excellent pasture conditions. Despite 11 percent fewer cows than in 1945, total milk output in 1950 will be second only to the record of 121.5 billion pounds in that year.

The increase in milk production in the U. S. has not kept pace with the growth in population. With the drop in exports, however, supplies were more than adequate to meet domestic consumer demand at support level in 1949 and 1950. Per capita consumption of milk on a fat basis, during the same period, has been below prewar. Due to the shift in utilization, consumption of solids-not-fat has reached a record which is 18 percent above prewar. In 1951, more milk will be used in fluid form and in ice cream and considerably less in butter and American cheese. But consumption of all these items probably will be larger next year than this--total stocks of butter and cheese are at record levels.

Sales of milk by farmers will increase to a new high next year but butterfat in farm separated cream probably will reach a new record low. Prices of both will be moderately higher and cash receipts will rise materially above the 3.7 billion dollars of 1950. Dairymen's expenses will rise less than cash receipts, and net returns probably will increase.

POULTRY AND EGGS

Prices of eggs and poultry are less likely than most other commodities to participate in any general rise in prices because their supplies are likely to continue large in relation to probable consumption.

An important determinant of egg production and supply in 1951 will be the number of potential layers on farms at the beginning of the year. The January 1, 1951 numbers of potential layers may fall short of the 442 million that were on farms at the beginning of this year. However, any reduction may be partly or fully offset if current trends toward an increase in the number of eggs per layer are continued. The net result may be a total egg supply in 1951 that is little different from the quantity available in 1950.

Even if egg supplies in 1951 are moderately smaller than in 1950, the surplus of eggs hitherto diverted to drying under the price support program provides a reserve supply that will limit the price rises that might otherwise develop. Through September, almost 6 percent of the 1950 farm output of eggs was dried for sale to the Department of Agriculture. As of late October, no egg price support program had been announced for 1951.

The 1951 prices of chicken and turkey meat will be influenced by trends in meat prices, as well as by whatever action may be taken with respect to Government price support. High meat prices would improve the competitive position of poultry, and induce higher prices, as well as perhaps eventually increase supplies, especially of broilers. If a 1951 egg price support program is announced, it could encourage the raising of chickens, and accordingly affect supplies of young chickens marketed in the fall. Meanwhile, supplies of poultry meat for the first few months of 1951 are expected to be large, especially for broilers and for turkeys. Total storage stocks of poultry except turkeys are likely to be larger on January 1, 1951 than a year earlier. At the beginning of the year average prices for all classes of poultry combined, are likely to be very similar to those prevailing a year earlier.

FATS, OILS, AND OILSEEDS

Prices of most fats and oils are likely to average higher in the year beginning October 1, 1950 than a year earlier. In that year the index of wholesale prices of 26 major fats and oils averaged 155 (1935-39=100) compared with the postwar peak of 283 in 1946-47. The expected increases in industrial activity and consumer income in 1950-51 will strengthen demand for fats and oils in the United States. There is likely to be a similar strengthening of foreign demand for fats and oils. With domestic output of fats and oils likely to decline slightly in 1950-51, increased domestic and export demands for fats and oils will be reflected mainly in increased prices. Total consumption of fats and oils in the United States probably will increase moderately, with a larger rise in use of fats in paints, varnishes, chemicals, rubber, and other industrial products than in food uses. Total exports of fats and oils may decline slightly, but exports of lard, tallow, greases, soybeans, and soybean oil probably will remain near the high levels of 1949-50.

On the basis of October 1 crop estimates and other indications, the total domestic output of fats and oils in the year beginning October 1, 1950 will be 11.7 to 11.8 billion pounds (including the oil equivalent of exported soybeans, flaxseed, and peanuts for crushing abroad). This is slightly less than a year ago but larger than in any year before 1948-49. Declines in production of cottonseed oil, butter, and peanut oil probably will not be offset by increases in output of soybean oil, lard, tallow, and greases.

Price support to farmers for soybeans produced in 1950 is being offered through loans and purchase agreements at a national average of \$2.06 per bushel (for No. 1 or No. 2 green or yellow soybeans) compared with \$2.11 per bushel for the 1949 crop. Storage allowance of up to 7 cents per bushel paid farmers in previous years for soybeans held under loan are discontinued this year.

The 1950 crop of soybeans, estimated October 1 at 275 million bushels, is well above any previous crop. The price-depressing effect of this record output is largely offset by one of the smallest cottonseed crops in recent years. The price to farmers probably will average at least as high for the 1950 crop as the \$2.12 per bushel received for the 1949 crop.

Loans to farmers on cottonseed produced in 1950 will be available at \$51.00 per ton for base-grade seed, and in areas where necessary direct purchases of cottonseed will be made by CCC at \$47.00 per ton for basis grade (100). Prices to farmers through October have been well above the support level. Production of cottonseed, calculated at 3,997,000 tons on the basis of the estimated output of cotton lint on October 1 and the 1945-49 average relationship between output of lint and seed, is the third smallest in 30 years.

Support prices to farmers for peanuts produced on allotted acreages in 1950 vary according to type and sound mature kernel content but are based on a national average of 10.8 cents per pound (\$216 per ton) compared with 10.5 cents per pound (\$210 per ton) for the 1949 crop. With acreage allotments reduced in 1950, production declined to 1,677 million pounds, 11 percent less than in 1949 and the smallest since 1941. Edible uses of peanuts may be slightly larger in 1950-51 than a year earlier. The surplus for crushing and export probably will be reduced to about 500 million pounds (farmers' stock basis) compared with about 700 million pounds in 1949-50. Exports probably will continue small in 1950-51.

Loans and purchase agreements are available to farmers on flaxseed produced in 1950 at \$2.82 per bushel, Minneapolis basis (No. 1 flaxseed) compared with \$3.99 per bushel a year earlier. As in the case of soybeans, storage allowances to farmers are discontinued this year. A similar program has been announced for the 1951 crop, with the loan rate placed at a national average of \$2.65 per bushel, farm basis, 8 cents per bushel higher than for the 1950 crop.

Reflecting reduced acreage, the 1950 crop of flaxseed is estimated at 35 million bushels, 19 percent less than in 1949 and the least since 1946. However, with a carry-over of 17 million bushels largely held by CCC on July 1, 1950, the total supply of flaxseed for 1950-51 is equal to total crushings, seed use, and exports in 1949-50 plus about 10 million bushels, somewhat more than the average carry-over. In addition, stocks of linseed oil on hand July 1, 1950 were equal to a year's domestic consumption at the 1949-50 rate of use.

CORN AND OTHER FEED

Higher feed prices, heavier utilization of feed, and some reduction in our large reserve stocks of feed grains are in prospect for the 1950-51 season.

Prices of feed grains and most of the byproduct feeds are expected to average higher in the 1950-51 feeding season than in 1949-50, since the prospective increase in demand for meats and other livestock products will in turn mean a stronger demand for feed. The extent of the rise, however, will be limited by the large feed supplies, including the reserve stocks of feed grains held under price support. Corn prices are expected to be seasonally weak this fall, but to hold nearer the support level of \$1.47 per bushel than in the fall of 1949, when the average price dropped 38 cents below the support. The 1950 national average price for corn is \$1.47 per bushel. Corn prices probably will advance at least seasonally this winter and next spring, and may average somewhere near the support level for the entire season. Prices of oats and barley are somewhat higher this fall than last, and probably will continue higher, at least through this winter and spring. Prices of high-protein feeds are relatively low this fall in relation to prices of feed grains. Soybean meal prices are especially weak, reflecting the large supplies from the record 1950 crop. Prices of protein concentrates probably will advance in 1951 and average higher in the 1950-51 feeding season than in 1949-50.

Supplies of feed concentrates for the 1950-51 season, including the grains and byproduct feeds, are estimated at about 180 million tons, only a little below the record supply of last year and nearly a third larger than just before the war. With the strong demand in prospect for feeds, total utilization is expected to be larger than in any year since the war. Livestock production is expected to increase further and farmers will continue to feed liberally. Total utilization of feed grains may exceed the 1950 production of 123 million tons by around 5 or 6 million tons. This would mean a comparable reduction in our carry-over stocks in 1951 from the high level of about 30 million tons in 1950.

The corn supply for 1950-51 of about 4.0 billion bushels is only about 5 percent smaller than the record supply in 1949. Supplies of other feed grains are well above average and larger than last year. While there will be more "soft" corn than usual in some areas of the Corn Belt, the bulk of the corn crop escaped serious damage from frosts.

Supplies of byproduct feeds in 1950-51 probably will be close to the large supplies in the past 2 years. Protein feed supplies are expected to about equal the record supply per animal last year. These feeds have been in strong demand in the past two feeding seasons, as more protein has been required to supplement heavy feeding of grain.

Farmers will again have ample hay supplies. The total supply is the second largest on record and will provide more hay per roughage-consuming animal unit than in any previous year. Hay supplies are better distributed over the country this year than in either of the past 2 years. The quality of the 1950 crop, however, is below average in many areas where frequent rains have interfered with harvesting.

WHEAT

The 1951-52 outlook for wheat is characterized by continued large wheat acreage, the accumulation of a substantial reserve, and the likelihood of a slight increase in the wheat loan rate.

A national acreage allotment of 72.8 million acres for 1951, which is the same as the final allotment in 1950, and slightly above the 71.5 million acres actually seeded in 1950, was announced on July 14. Actual seedings have exceeded the 1951 allotment in only 7 years in our history. If yields should equal the 1941-50 national average per seeded acres such an acreage would produce a 1951 wheat crop of 1,150 million bushels compared with the 1950 crop of 1,010 million bushels. With the carry-over of old wheat on July 1, 1951 estimated at about 450 million bushels, total supply for 1951-52 would be about 1,600 million bushels. If domestic disappearance in 1951-52 is about the same as the 730 million estimated for 1950-51, 870 million bushels would remain for export during the year and carry-over July 1, 1952. This compares with about 700 million bushels remaining in 1950-51 after allowing for domestic requirements, and would provide a substantial reserve for an emergency.

If yields on the allotted acreage were equal only to the national average of 13.7 bushels for the past 2 years, the crop would be about one billion bushels. If domestic use and exports were the same as indicated for 1950-51, 720 million bushels would remain for export in 1951-52 and carry-over July 1, 1952, compared with about 700 million in 1950-51.

In these calculations no allowance has been made for overplanting allotments. For the 1950 crop, the acreage seeded was 2 percent below the total final allotment. However, unfavorable weather at seeding time prevented some growers from seeding their intended acreage. On June 26 Secretary Brannan announced that there would be no marketing quotas on the 1951 wheat crop.

On August 21, before the time of seeding of winter wheat, a national average support price for the 1951-crop wheat was announced at not less than \$1.99 a bushel--the same as the support level for the 1950 crop. Price support by means of loans and purchase agreements will be available on the 1951 crop, from time of harvest through January 31, 1952, to farmers who comply with their acreage allotments. If parity is higher at the beginning of the 1951-52 marketing year, as is now expected, the support will be increased to reflect the full 90 percent of parity at that time. This increase, however, will be offset to some extent by the discontinuation of payments to producers for farm storage. Also, CCC will not assume any warehouse charges (except the receiving charges) accruing prior to May 1, 1952. These changes from previous years place wheat on the same basis as other grains with respect to storage charges on loan commodities delivered to CCC.

The volume of United States wheat exports during 1951-52 depends on a number of factors. The United States export quota under the International Wheat Agreement is currently reported at around 228 million bushels. In 1949-50 exports of non-agreement wheat totaled over 100 million bushels, but a part of this quantity went to Germany, now a party to the agreement. Much seems likely to depend upon the extent to which rice continues to be available in the Far East, and the extent to which deficit areas for which the United States has, or may assume, supply responsibility, procure substitute grains or arrange trade agreements with other countries, especially non-dollar sources.

FRUIT

Demand for fruit in the calendar year 1951 is expected to be somewhat stronger than in 1950. With average weather, total production of deciduous fruit in 1951 probably will be moderately larger than the relatively small 1950 crop. But production of some individual fruit crops probably will be smaller. Grower prices for most 1951 deciduous crops are likely to be slightly higher than 1950 prices.

Consumer demand for fresh fruit in 1951 probably will be moderately stronger than in 1950. Because of smaller packs of canned and dried fruits in 1950 and likely small carry-overs into the 1951 pack season, demand of processors for fruit for canning and drying may be even stronger than it was in 1950, contributing to somewhat higher prices.

Export demand for fruit in the 1950-51 season is expected to be slightly stronger than in 1949-50, and it even may strengthen further in 1951-52, assuming continued economic improvement in foreign countries, especially Europe, and no widespread conflicts. In the 1950-51 season, exports of apples and winter pears, with the help of the Government export-payment programs for these two fruits, are expected to be larger than in 1949-50, but considerably under 1935-39. Exports of citrus fruits also may be larger. But exports of dried fruits from the smaller 1950-51 pack are expected to be down from 1949-50.

Imports of bananas will be conditioned by available supplies in producing countries, but probably will continue at the 1950 rate. About the usual quantities of canned pineapple and pineapple juice may be shipped in from Hawaii. Imports of apples, mostly from Canada, probably will be about the same as in 1949-50. Except for apples, sub-tropical fruits will comprise most of the imports. But small quantities of such other fruits as pears, peaches, plums and grapes also may be imported, arriving mostly when domestic supplies are seasonally low.

The 1950 crop of deciduous fruits is about 14 percent smaller than the 1949 crop and 7 percent smaller than the 1939-48 average. Supplies of apples probably will be about as large this fall and winter as in the same period of 1949-50. Supplies of pears and grapes probably will be smaller than last fall and winter. Grower prices for these three fruits are expected to continue higher this fall than in the fall of 1949. But supplies of cranberries are expected to be larger, and prices a little lower, than a year ago.

Production of 1950-51 crop early and midseason oranges is estimated as of October 1 to be about 2 percent larger than the 1949-50 crop and 17 percent larger than the 1939-48 average. Production of grapefruit, excluding the California summer crop, is estimated to be about 38 percent larger than the 1949-50 crop and about average. Grower prices probably will not average as high as last fall and winter. But strong demand from canners and freezers is expected to help maintain prices considerably over the low levels of 1947-48.

The 1950-51 packs of dried and canned fruits are expected to turn out moderately smaller than the 1949-50 packs. The 1949-50 pack of canned fruit juices, mostly citrus and now nearing completion, is about one-tenth smaller than the 1948-49 pack. But this decrease is more than offset by the sharp increase in pack of frozen concentrated fruit juices, mostly citrus. Because of large increases in the packs of frozen orange juice, strawberries and cherries, the 1950 pack of frozen fruits and fruit juice is setting a new record, about one-fourth above the 1946 record and one-third above the 1949 pack.

Total production of almonds, walnuts, filberts, and pecans is about 22 percent smaller than the record 1949 crop but 3 percent above the 1939-48 average. Grower prices for the 1950 crops are expected to average above 1949 prices.

COMMERCIAL TRUCK CROPS

For Fresh Market

Demand for fresh vegetables in 1951 is expected to be stronger than in 1950. Aggregate production of vegetables for the fresh market is likely to be at least slightly larger than in 1950, based on past trends. If production is no more than slightly larger, prices received by farmers probably will average slightly higher also. If the usual sequence of alternate years of high and low production of onions and cabbage repeats itself in 1951, production of these two crops will be smaller, and prices higher, next year than they were in 1950.

Prices received by farmers this fall are expected to continue below the level of a year ago, reflecting the pressure of larger supplies than a year ago. Aggregate production for the fall fresh market may be about 14 percent larger than last fall and nearly one-fourth larger than average. Nearly 70 percent of the total increase in tonnage is provided by cabbage, but production of carrots and lettuce also are up substantially. On the other hand, the fall crops of celery, cauliflower, cucumbers and spinach are expected to be smaller this year than last.

For Processing

Commercial canners and freezers probably will try to pack substantially larger quantities of most vegetables in 1951 than they did in 1950. Higher prices probably will be offered farmers by processors in order to assure the desired increase in acreage and production.

The plans of processors for the 1950 season in general were designed to bring total supplies of canned and frozen vegetables into balance with the domestic civilian demand anticipated at that time. Military requirements are expanding, particularly for canned vegetables, but it is too late this year to do much about increasing the pack, and prices of some canned vegetables are rising.

POTATOES AND SWEETPOTATOES

Production of potatoes in 1951 probably will be considerably larger than necessary to supply all of the normal needs observed in recent years. Since it appears that price support will not be available for potatoes in 1951, prices received by farmers are expected to fall considerably below the level of those received in the last few years. If the geographical distribution of production in 1951 is similar to that of recent years, prices will be depressed relatively more in those areas which have been contributing a disproportionate part of the surplus.

The 1950 crop now estimated at 426.8 million bushels as of October 1 is much in excess of demand at support levels which are intended to reflect 60 percent of parity, or an average of about \$1.01 per bushel, to eligible farmers. Support is unavailable this year in 7 States (representing about 25 percent of the total production) because growers in these States rejected proposed marketing agreements. Prices received by farmers for the 1950 crop of potatoes are expected to average moderately lower than the \$1.28 season average received for the 1949 crop.

Demand for sweetpotatoes in 1951 may be slightly stronger than in 1950. Because of the attractiveness of other alternative opportunities in 1951, the acreage of sweetpotatoes may not increase over 1950. The 1950 sweetpotato crop of about 59.7 million bushels is moving at prices substantially lower than those received for the smaller 1949 crop. After harvesting is completed, prices received for sweetpotatoes probably will rise about seasonally.

- DRY BEANS AND PEAS

Total demand for dry edible beans in 1951 will be somewhat stronger than in 1950, and prices for several varieties of dry beans probably will be moderately higher at all levels. The carry-over stocks from prior crops at the beginning of the 1950 crop marketing season are very large, about equal to two-thirds of a normal year's total requirements. Most of these stocks are held by the Government. Because the 1950 crop is turning out about 6 million bags less than last year's record crop of 21.6 million bags, and because of the expanding military and civilian demands, prices received by farmers for dry beans have been rising recently and probably will rise more than seasonally in the next several months. Prices in 1951 probably will average slightly higher than a year earlier.

Little change in prices or consumption of dry field peas is expected in 1951. Demand is expected to continue much weaker than in the early post-war years when large quantities were used for civilian relief feeding programs abroad. Domestic consumption appears to be back down to about the prewar level. Total supplies at the beginning of the 1950 crop marketing season were slightly smaller than those of a year earlier, because the increased carry-over from the prior crop only partly offset the moderately smaller crop this year. Supplies are believed to be adequate to meet demand at little change in prices.

COTTON

Demand for cotton is high now and is expected to remain at a high level throughout the 1950-51 season. Increasing military and civilian requirements will raise domestic consumption of cotton to around 10.0 million bales. This would be the fourth season on record that consumption has reached 10 million bales.

The cotton textile industry is operating at a high level and is reported to be well sold all through the first quarter of 1951, under the impetus of expanded orders for cloths and yarns. Cotton system spindles in September were operating at about 140 percent of capacity, based on 40 hours a week. This increase in mill activity follows the improved situation in the cotton textile industry, which began in the last quarter of 1949. Mill consumption in September, a five week period, was 968 thousand bales. The daily rate of 39.5 thousand bales was 20 percent above that of last year but 2 percent less than in August. Prices of the 17 selected constructions of gray goods advanced to 39.24 cents per pound in September from 31.43 cents in August and was the highest since March 1948. Mill margins increased from 31.66 cents in June 1950 to 48.69 cents in September.

Exports of raw cotton from the United States during the current season will be substantially below last year's exports of 5.3 million bales. Exports this year will be determined by the short supply, rather than by demand, which is expected to be very strong. Export licenses for cotton were invoked September 8, 1950 to insure a sufficient supply of cotton for domestic consumption and to provide for an adequate carry-over. An interim allocation for cotton exports of 2 million bales was released on October 3. This allocation, effective from August 1, 1950 through March 31, 1951, will be under frequent review and will be revised when more complete data regarding the quantity and quality of production and probable requirements for domestic consumption are available. An additional allocation of 146,000 bales was announced on October 23.

The 1950 cotton crop as of October 1, was estimated at 9.7 million running bales. With August 1 carry-over at 6.8 million bales and imports of .2 million bales the domestic supply of cotton will be about 16.7 million bales. End of season carry-over is likely to be at minimum levels and very little if any of this is expected to be in the hands of the CCC.

On October 3, the Secretary of Agriculture announced that he would not proclaim marketing quotas and acreage allotments on the 1951 cotton crop. At that time he expressed the hope that next year's crop would reach 16 million bales. Under present legislation the support price for 1951 crop cotton will be between 80 and 90 percent of parity.

Average spot prices of cotton rose 6.87 cents per pound from June through September, and a 30-year high of 41.20 cents for Middling 15/16" was reached on September 23. On October 10 the price was 39.94 cents per pound but by the 19th had declined to 39.10 cents.

WOOL

Consumer demand for wool goods in the United States next year is likely to continue strong. A considerable increase in military require-

ments in the United States and elsewhere is quite evident. The net effect of these factors is expected to result in an increase in world demand for apparel wool. This, together with the smaller world supply, indicates that prices to domestic growers for shorn wool are likely to average higher next year. Prices received this year will average somewhat higher than the 49.3 cents per pound, grease basis, received in 1949.

World consumption of apparel wool during the season ended June 30, 1950, is estimated to have exceeded production by about 15-20 percent, thus reducing world stocks. World production of apparel and carpet wool during the current season is estimated at 3,390 million pounds, grease basis, compared with 3,790 million pounds last season. Of the total, probably not more than 3,045 million pounds will be apparel wool, an increase of less than 75 million pounds over the quantity of apparel wool produced last season. Production in the United States next year probably will not be greatly different from the quantity now estimated for this year--254 million pounds, grease basis.

Despite the expected higher level of wool prices, mill consumption of apparel wool in the United States is likely to be a little higher next year. Military requirements will increase and consumer income is expected to be higher. Domestic consumption of apparel wool this year probably will be 410-440 million pounds, scoured basis, compared with 339 million pounds in 1949.

With higher consumption next year, imports probably will increase in view of the low level of stocks and domestic production. It now appears likely that imports for consumption of apparel (dutiable) wools during 1950 will total 285-315 million pounds, clean basis.

TOBACCO

Demand for United States cigarette tobacco is expected to be strong in 1951. United States cigarette manufacture absorbs 75 to 80 percent of the tobacco used domestically, and the output next year will probably exceed the record high of about 895 billion cigarettes estimated for 1950. Cigarette production in 1949 was 885 billion. Manufacturers advanced the prices of standard brands of cigarettes in late July, and these were followed by price increases at retail. United States tobacco types used in cigarettes are flue-cured, Burley, and Maryland. The 1950 crop of flue-cured is being marketed at record prices and for the season through mid-October, averaged 55 cents per pound--about 15 percent above the 1949 average. The crop was about 85 percent marketed. The Burley auctions begin around December 1 and the Maryland auctions next spring. The flue-cured average price has been well above the support level of 45 cents per pound. The 1950 Burley support is 45.7 cents per pound--15 percent above the 1949 level and also a little higher than the average price received by farmers for their 1949 crop. The 1951 price supports will probably be higher than those for the 1950 crops of flue-cured and Burley. The 1950 Maryland crop support price will be substantially higher than last season's. The supply situation for flue-cured is considered to be fairly tight, but there appear to be ample supplies of Burley and Maryland tobacco. The 1950 crop of Burley is substantially below a year ago and considerable damage by excessive rainfall has been reported. However, the carry-over of Burley on October 1 is at a record high.

United States exports of unmanufactured tobacco in 1951 may be higher than the 475 million pounds (export weight) estimated for this year. This year's estimated total is about 5 percent less than in 1949 but 9 percent above the 1934-38 average. A large proportion of exports is flue-cured. The export demand for dark tobacco types has been trending downward over the long term since cigarettes made from the lighter tobaccos have grown in popularity throughout much of the world.

Demand for the kinds of tobacco used in chewing tobacco, snuff, and cigars may strengthen since a little larger consumption of these products seems likely in 1951. Smoking tobacco output, which takes sizable quantities of Burley, may also increase slightly.

Smoking tobacco manufacture for 1950 is estimated at 109 million pounds--about 1 percent above last year's. Chewing tobacco output this year is estimated at 89 million pounds--about 1 million pounds less than in 1949 and the lowest on record. Snuff manufacture may reach 42 million pounds this year--slightly above a year ago. Cigar consumption during the first half of 1950 was running below a year ago, but an upturn occurred in the third quarter and for the year as a whole is expected to be 5.6 billion. This is practically the same as in 1949.

The 1950 crop supports for fire-cured and dark air-cured (much of which goes into snuff and chewing tobacco) are around 13 1/2 percent above last season's supports. The 1950 crops are down considerably from 1949 and have suffered from excessive moisture in the Kentucky-Tennessee area. However, carry-overs are substantial and total supplies are ample to meet requirements. The 1950 supports for most of the cigar types will be well above those applicable to the 1949 crops. Supplies of cigar filler and binder are 4 to 5 percent above those for 1949-50, and supplies of shade-grown wrapper are equal to the record high of a year ago.

SUGAR

Distribution of sugar by primary distributors in the United States for domestic consumption during January-September 1950 totaled 6,574 thousand short tons (raw value), about 10 percent above distribution for the same period of 1949. During the month of September, however, distribution went below 1949 rates for the first month since January. This trend continued into early October. Nevertheless, it is expected that domestic sugar distribution in 1950 will reach record levels. Per capita consumption of sugar in 1950 is likely to be about 96-100 pounds, the highest since 1941.

In successive increases of 350 thousand short tons on July 13 and 850 thousand short tons on August 23, the Department of Agriculture has raised the 1950 quota for consumption from 7,500 to 8,700 thousand short tons. Under the provisions of the Sugar Act of 1948, the Department is required to announce a quota for consumption for the calendar year 1951 before December 31, 1950.

Total stocks of sugar (visible and invisible) at the end of 1950 are likely to be the highest since the end of 1947, although somewhat below the record stocks at the end of 1941. As of September 30, 1950, distributors (except mainland cane mills) held stocks of 603 thousand short tons, almost 200 thousand tons greater than a year earlier. Comparable stocks in September 1949 showed a decrease from the previous year. On August 31, 1950, distributor's stocks were 21 percent below those on August 31, 1949.

Deliveries of sugar for export in 1950 are expected to be considerably below 1949 levels, continuing a downward trend for the fourth consecutive year.

Average net wholesale prices of refined sugar at New York rose from 7.55 cents per pound in April to 8.06 cents in August, but in recent weeks the market has been steady. In leading cities, the average retail price per 5 pounds rose from 47.1 cents in June to 50.7 cents in August.

World production of beet and cane sugar for the 1949-50 season is now estimated at 37,999 thousand short tons (raw value), about 2 percent more than the previous record crop produced in 1948-49 and 10 percent more than the 1935-39 average. Output in areas supplying the United States in 1949-50 was 11,211 thousand short tons (raw value), about 5 percent above 1948-49. Preliminary indications from some of the offshore areas indicate the likelihood of further increases in the 1950-51 season.

FOREST PRODUCTS

Demand for forest products in 1951 is expected to continue at a high level, though probably somewhat below the peak level established in 1950. The demand for lumber, the most important of the forest products, is expected to decline somewhat as a result of credit controls and other restrictions which will affect the use of lumber in residential construction especially. However, this may be offset in part by increased military purchases. Requirements of lumber for shipping containers will reflect the expected increase in agricultural production and the high level of industrial activity. Demand for lumber for factory products should also remain high.

During 1950 both production and prices of forest products regained all the ground lost in 1949. Lumber production is estimated at 37.3 billion board feet, the highest level since 1929. Imports were expected to reach a peak of 2.8 billion board feet, with exports estimated at 0.6 billion board feet and net imports at 2.2 billion. Expected withdrawals of one billion board feet from stocks resulted in an estimated domestic consumption of 40.5 billion feet. This is the highest domestic consumption since the peak war year, 1942. Lumber prices which had been rising steadily through 1948 slumped in 1949 but had recovered by July 1950 to a level more than 3 times the 1926 base price and to double the 1945 price. Somewhat lower price levels established in the fall of 1950 may be indicative of the level to be expected in 1951.

A similar recovery from the 1949 low was achieved for other forest products. Pulpwood consumption, for example, which averaged 1,600 thousand cords a month in 1949 had increased to over 2,000 thousand cords in June 1950. This increased consumption resulted in a decline of pulpwood inventories and also stimulated increased pulpwood production. Pulpwood prices which were falling in the latter part of 1949 were increasing in the middle of 1950. A continued high level of demand for pulpwood is anticipated for 1951.

Demand for other forest products is expected to be high in 1951. Veneer logs for use in containers, furniture, and other products, and peeler logs for softwood plywood should continue in good demand and command premium prices. The demand for poles may decline somewhat if scarcities of other materials curtail the installation of telephone and utility lines.

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